

Message Text

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47

ACTION OES-05

INFO OCT-01 EUR-12 ISO-00 NEA-09 ACDA-10 IO-10 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FEAE-00

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02

PRS-01 USIA-15 /129 W

----- 039153

R 242236Z FEB 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5721

AMEMBASSY PARIS

AMCONSUL MONTREAL

AMEMBASSY TEHERAN

US ERDA GERMANTOWN

UNCLAS OTTAWA 0642

E.O. 11652: N/A

TAGS: ENRG TECH CA FR IR

SUBJECT: QUEBEC-FRANCE ENRICHED URANIUM PROJECT

REF: OTTAWA 420 (NOTAL)

1. CANADIAN PRESS HAS GIVEN BROAD COVERAGE (GENERALLY
NEGATIVE) DURING MOST OF FEBRUARY ON THE PROPOSED FRANCO-
QUEBEC CONSORTIUM (CANADIF) THAT WOULD ENRICH CANADIAN URANIUM
IN QUEBEC (USING JAMES BAY ELECTRICAL POWER) FOR EXPORT TO
FRANCE. THE GAMUT OF ARGUMENTS NOTED IN THE PRESS AGAINST
THE PROJECT INCLUDE THE FOLLOWING:

(A) THE ESTIMATED \$6 BILLION IN FINANCING REQUIREMENTS
(\$3 BILLION FOR ENLARGING THE \$12 BILLION JAMES BAY
HYDRO-ELECTRIC PROJECT TO PRODUCE THE ADDITIONAL 2500
MEGAWATTS OF ELECTRIC POWER NEEDED TO ENRICH THE
URANIUM IN A \$3 BILLION GASEOUS DIFFUSION PLANT), WOULD
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OVERBURDEN CANADA'S CAPITAL REQUIRE-

MENTS, ALREADY OVER ESTIMATED AS OVER \$100 BILLION NEEDED BY 1985
TO DEVELOP AND DELIVER ENERGY TO MEET DOMESTIC REQUIREMENTS;

(B) THE PROJECT WOULD CONSUME ABOUT 18,000 TONS
OF URANIUM OXIDE (ESTIMATED TO BE THREE TIMES
CANADA'S CURRENT ANNUAL PRODUCTION WHICH MAY
ALREADY BE INSUFFICIENT TO MEET DOMESTIC NEEDS
AND CURRENT AND PROJECTED EXPORT COMMITMENTS);

(C) NEW TECHNOLOGICAL PROCESSES, SUCH AS
CENTRIFUGE, MAY BE DEVELOPED IN THE RELATIVELY
NEAR FUTURE AND LEAVE CANADA HOLDING THE BAG WITH
A MORE EXPENSIVE HIGH-COST GASEOUS DIFFUSION
PLANT;

(D) EXPANSION OF THE ENORMOUS JAMES BAY COMPLEX,
PLUS ENRICHMENT WASTE HAZARDS, WOULD POSE ADDITIONAL
AND UNACCEPTABLE ENVIRONMENTAL DEGRADATION
PROBLEMS;

(E) HINTS THAT FRANCE MIGHT NOT BE THE MOST
TRUSTWORTHY CUSTOMER IN TERMS OF NUCLEAR SAFE-
GUARDS;

(F) THE EXPORT OF ENRICHED URANIUM COULD LIMIT
WORLD MARKETS FOR THE CANDU REACTOR WHICH SUCCESS-
FULLY AND EFFICIENTLY USES NATURAL URANIUM;

(G) OTTAWA APPROVAL OF THE EXPORT PROJECT
WOULD ONLY EXACERBATE RELATIONS WITH OTHER
ENERGY-PRODUCING PROVINCES (READ ALBERTA)
WHICH ARE BEING DENIED THE POSSIBILITY OF
CONTINUING ENERGY EXPORTS (OIL AND GAS) TO
THE U.S.

2. IN COMMONS QUESTION PERIOD OF FEBRUARY 4, BOTH PM
TRUDEAU AND ENERGY MINISTER MACDONALD CAME DOWN FAIRLY
HARD ON THE GOC'S POLICY WITH REGARD TO CANADIAN,
ALTHOUGH THE DORR WAS LEFT SLIGHTLY AJAR. PM TRUDEAU
NOTED, FOR INSTANCE, THAT THE FEDERAL GOVERNMENT HAS
ULTIMATE JURISDICTION OVER FINANCE, EXPORT OF URANIUM
AND ITS PRODUCTS, AND CONTROL FROM THE POINT OF VIEW
OF SAFEGUARDS AND FOREIGN INVESTMENT. TRUDEAU
SPECIFICALLY NOTED THAT THE GOC POSITION ON ENRICHED
URANIUM, WHICH "WE TOOK WITH THE GOVERNMENT OF IRAN
IS THE SAME AS THE ONE I EXPRESSED TO THE GOVERNMENT
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OF FRANCE AND TO THE GOVERNMENT OF QUEBEC. THIS
POSITION IS BASED, AS THE HOUSE KNOWS, UPON THE FACT
THAT CANADA HAS DEVELOPED THE CANDU SYSTEM WHICH IS
NOT DEPENDENT ON ENRICHED URANIUM BUT ON HEAVY WATER.
WE THINK THE SYSTEM IS THE BEST IN THE WORLD AND WE
ARE NOT INTERESTED (BEGIN UNDERLINE) A PRIORI (END UNDERLINE)
IN ENRICHING URANIUM TO SERVE COMPETITIVE SYSTEMS. THIS IS THE
POSITION IN PRINCIPLE. IN PRACTICE WE HAVE TAKEN THE VIEW WHICH

HAS JUST BEEN STATED BY THE MINISTER OF ENERGY, MINES AND RESOURCES, NAMELY, THAT IF A GOVERNMENT, HAS SOME PRECISE PLAN TO PUT TO US WE SHALL NOT ANSWER (BEGIN UNDERLINE) A PRIORI (END UNDERLINE); WE SHALL STUDY IT AND SEE WHETHER IT CONTAINS ANY ARGUMENTS OF WHICH WE HAD NOT THOUGHT AND WHICH MIGHT BE OF A CONVINCING NATURE."

3. WITH REGARD TO A "PRECISE PLAN", MINISTER MACDONALD STATED THAT HE IS AWAITING THE RESULTS OF THE QUEBEC-FRANCO FEASIBILITY STUDY, WHICH, ACCORDING TO PRESS REPORTS, IS DUE IN MARCH WITH A FAIRLY PREDICTABLE RECOMMENDATION OF "FEASIBILITY" INASMUCH AS MOST OF THE EXPERTS PREPARING THE STUDY ARE FRENCH.

4. MACDONALD ALSO PROMISED TO TABLE IN THE HOUSE A STUDY UNDERTAKEN TWO YEARS AGO BY HIS DEPARTMENT CONCERNING THE TECHNICAL AND ECONOMIC CONSEQUENCES TO CANADA OF ESTABLISHING AURANIUM ENRICHMENT PLANT AS SOON AS IT CAN BE TABLED IN CANADA'S "TWO OFFICIAL LANGUAGES".
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